

Financial Results Briefing for the Fiscal Year Ended March 2023

May 31, 2023



CHUDENKO CORPORATION

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Representative Director and President

Briefing Topics

- 1 FY2022 Performance
- 2 FY2023 Earnings Forecasts
- 3 Medium-Term Management Plan 2024 [FY2021–2024]
- 4 CHUDENKO Group 2030 Vision
- 5 Reference (Company Profile, etc.)

1. FY2022 Performance

Construction industry

- Public capital investment remained firm and private capital investment is picking up.
- Extremely difficult situation due to intensifying competition for orders, labor shortages, and soaring energy and raw material prices.

Group Overview

- Along with working on the measures of the medium-term management plan, formulated the "CHUDENKO Group 2030 Vision" and the "CHUDENKO Group Fundamental Sustainability Policy."
- Recorded large losses at the end of the fiscal year due to a significant decline in profitability in overseas business investments.

FY2022 Performance (Income statement, consolidated)

Recorded a year-on-year decrease in both sales and profit.

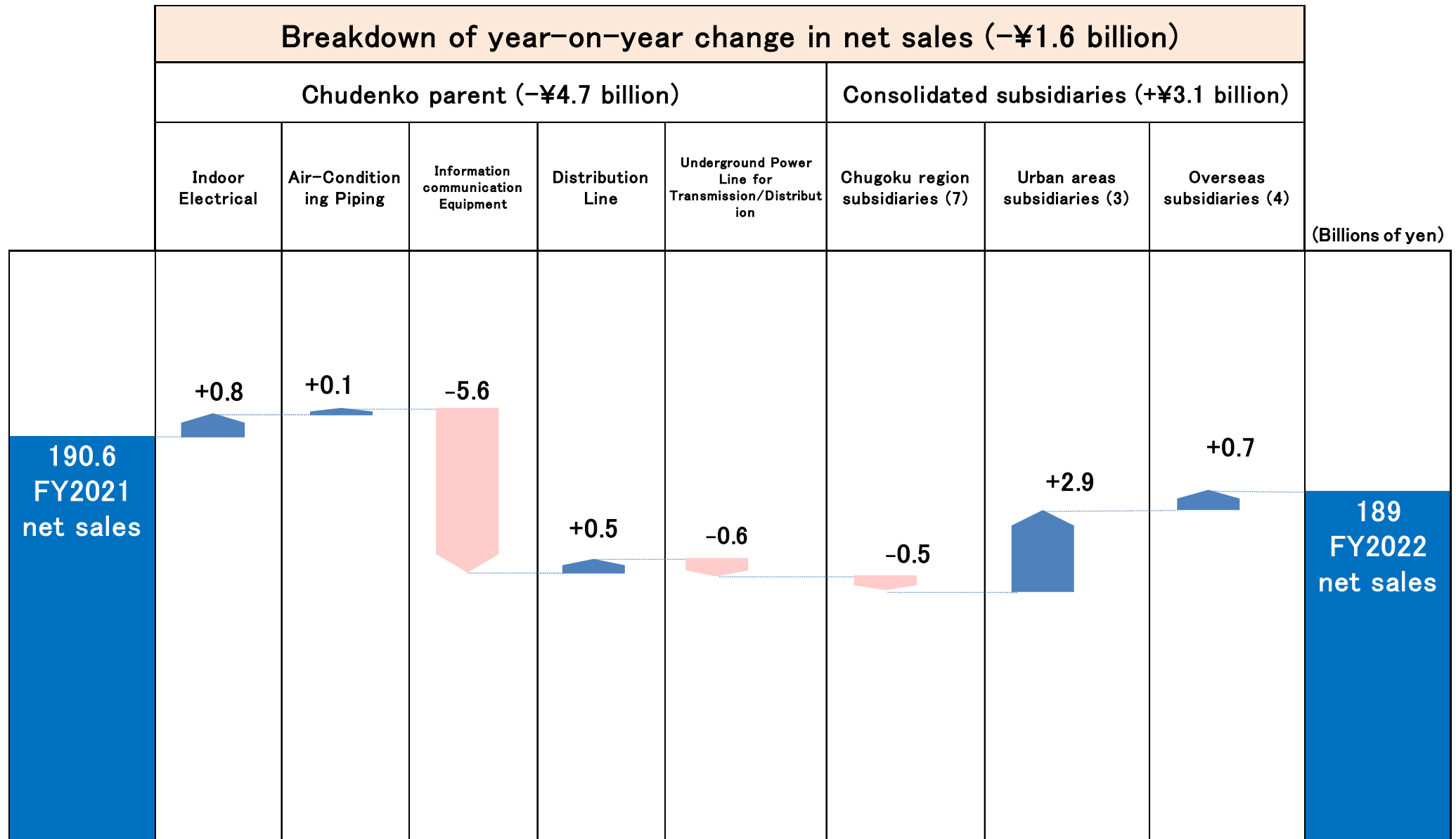
- Decrease in net sales for the first time in 11 years (down ¥4.7 billion for Chudenko parent, up ¥3.1 billion for consolidated subsidiaries).
- Decrease in operating profit for the first time in four years (down ¥2.1 billion for Chudenko parent, unchanged for consolidated subsidiaries).

(Billions of yen)

| Consolidated Performance | FY2021 | | FY2022 | | Change | Year on year |
|--|---------|-------|---------|-------|--------|--------------|
| | | | | | | |
| Sales | | 190.6 | | 189.0 | -1.6 | 99% |
| Cost of sales | | 164.4 | | 16.5 | 5 | 100% |
| Gross profit | (13.8%) | 26.2 | (12.7%) | 23.9 | -2.2 | 91% |
| Selling, general and administrative expenses | | 15.8 | | 15.6 | -1 | 99% |
| Operating profit | (5.5%) | 10.4 | (4.4%) | 8.3 | -2.0 | 80% |
| Ordinary profit | (6.3%) | 11.9 | (-1.0%) | -1.9 | -13.8 | - |
| Profit attributable to owners of parent | (3.5%) | 6.6 | (-3.7%) | -6.9 | -13.5 | - |

* Figures in () are profit margins.

FY2022 Performance (Breakdown of year-on-year changes in net sales, consolidated)



FY2022 Performance (Breakdown of year-on-year changes in operating profit, consolidated)

| Breakdown of year-on-year changes in operating profit (-¥2 billion) | | | | | |
|---|-------------------------|------|---|--|-----------------------------------|
| Chudenko parent (-¥2.1 billion) | | | Consolidated basis (+¥0 billion) | | |
| Operating profit by division | | | Operating profit of consolidated subsidiaries | Amortization of goodwill resulting from M&As | (Billions of yen) |
| General Work Business | Electric Power Business | | | | |
| 10.4 FY2021 operating profit | -2.2 | +0.1 | -0 | +0 | 8.3 FY2022 operating profit |

FY2022 Performance (Occurrence of ordinary loss, consolidated)

April 2019 Announced investment in an offshore wind power generation project in Yunlin County, Taiwan through a domestic investment company jointly established by Chugoku Electric Power Company, Incorporated.

- Delays in the movement of construction personnel and the procurement of materials and equipment due to the COVID-19 pandemic.
- Process delays due to unseasonable weather, etc.
- Soaring material and equipment prices, etc.

March 2023 Significant increase in construction costs compared to the initial plan, resulting in lower profitability of this project. Announced that a loss would be recorded in the offshore wind power generation project in Taiwan.

Recorded a loss related to this business investment

FY2022 financial results

- Equity-method investment loss: ¥12.5 billion (non-operating expenses)
- Provision for loss on investment in affiliated companies: ¥800 million (extraordinary loss)

FY2022 Performance (Balance sheet, consolidated)

(Billions of yen)

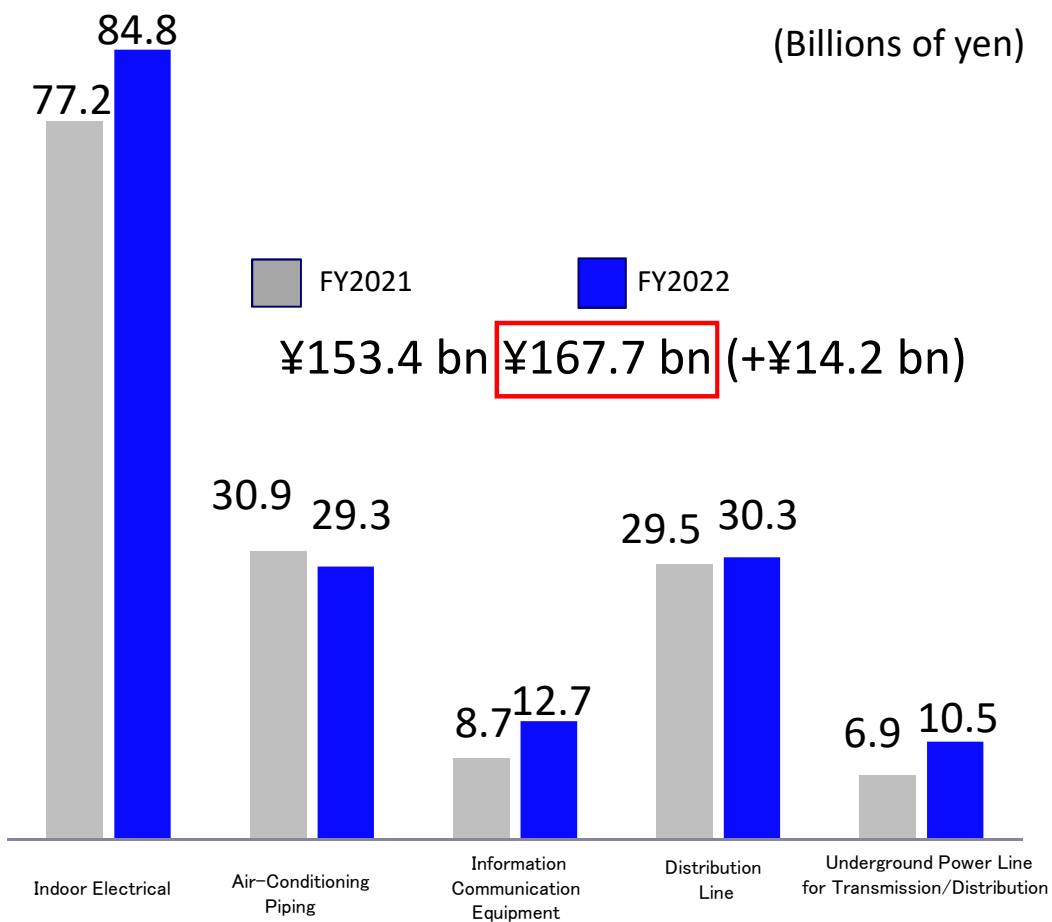
| | As of March 31, 2022 | As of March 31, 2023 | Change | Main factors for changes |
|---|-------------------------|-------------------------|--------------|--|
| Current assets | 114.9 | 118.9 | 4.0 | Cash and deposits -5.8, Securities 7.7 |
| Non-current assets | 164.7 | 153.5 | -11.2 | Investment securities -14.0 |
| Total assets | 279.7 | 272.5 | -7.2 | |
| Current liabilities | 48.8 | 47.3 | -1.4 | Notes payable - trade and other, -2.8 |
| Non-current liabilities | 14.5 | 23.0 | 8.5 | Liabilities associated with application of the equity method 6.8 |
| Total liabilities | 63.3 | 70.4 | 7.0 | |
| Total net assets | 216.3 | 202.0 | -14.2 | Retained earnings -12.6 |
| Total liabilities and net assets | 279.7 | 272.5 | -7.2 | |
| Equity ratio | 76.2% | 73.2 | -3.0 | |

FY2022 Performance (Orders received and net sales by sector, parent)

- The amount of orders received increased ¥14.2 billion year-on-year to ¥167.7 billion (increase mainly in Indoor Electrical Work)
- Net sales fell ¥4.7 billion year-on-year to ¥148.2 billion (decrease mainly in Information Communication Equipment Work)

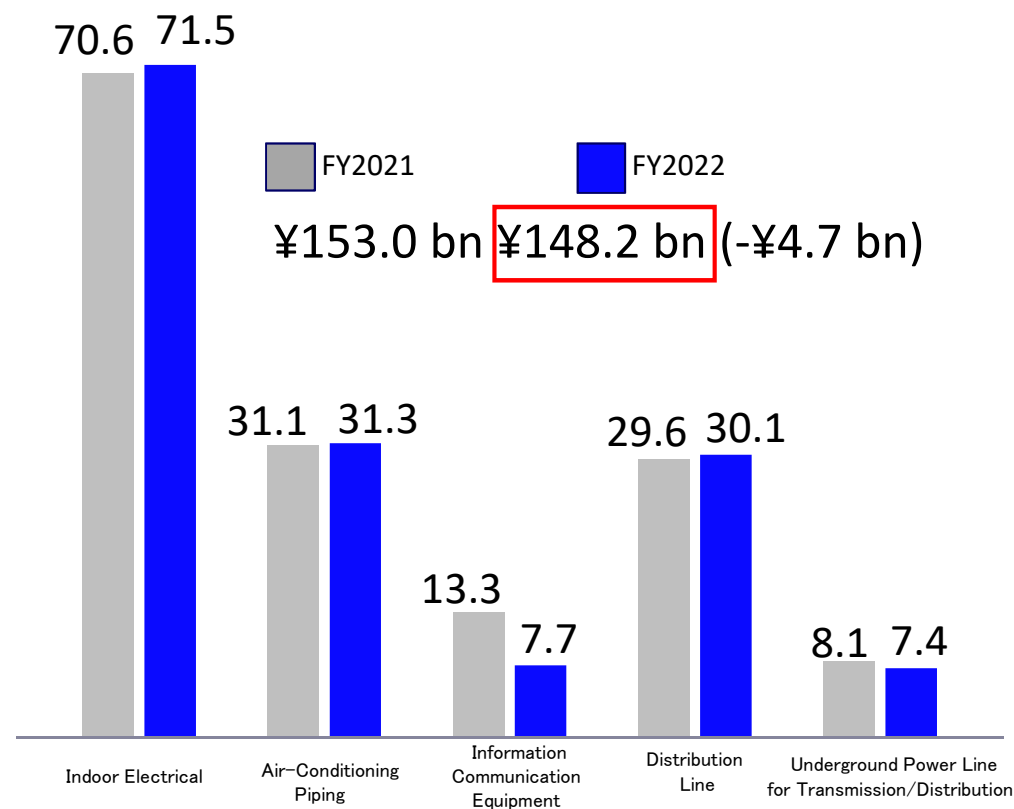
Orders received

(Billions of yen)



Net sales

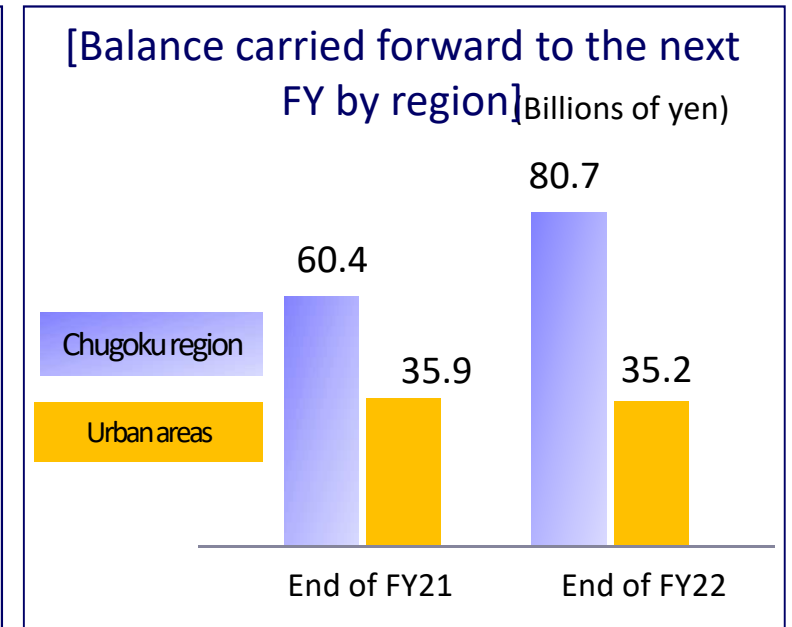
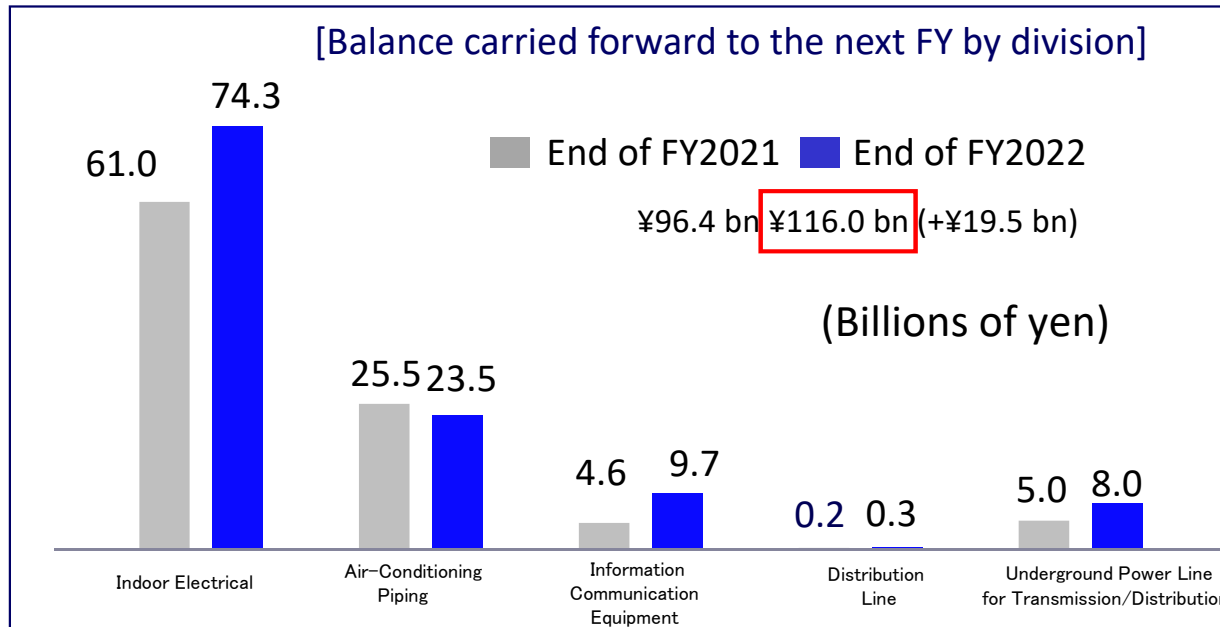
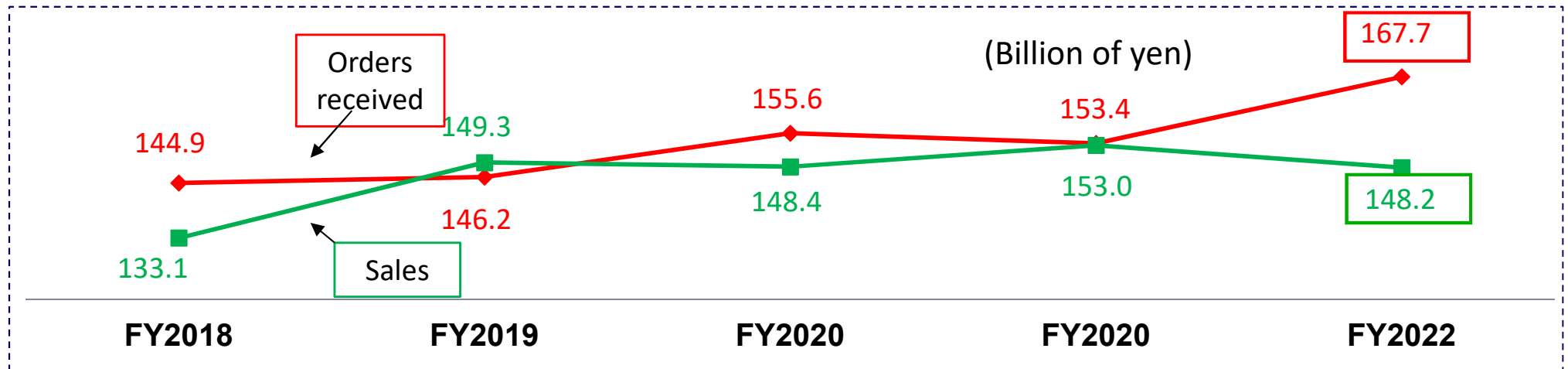
(Billions of yen)



FY2022 Performance (Orders received and net sales by sector, parent)

➤ Net sales fell below ¥150 billion, but orders received far exceed ¥160 billion significantly.

[Changes in orders received and net sales]



2. FY2023 Earnings Forecasts

FY2023 Earnings Forecasts (consolidated)

Expecting an increase in sales and profits.

- Net sales increased (¥10.7 billion increase for Chudenko parent, ¥5.2 billion increase for consolidated subsidiaries).
- Operating profit is expected to rise due mainly to increased gross profit due to higher sales.

(Billions of yen)

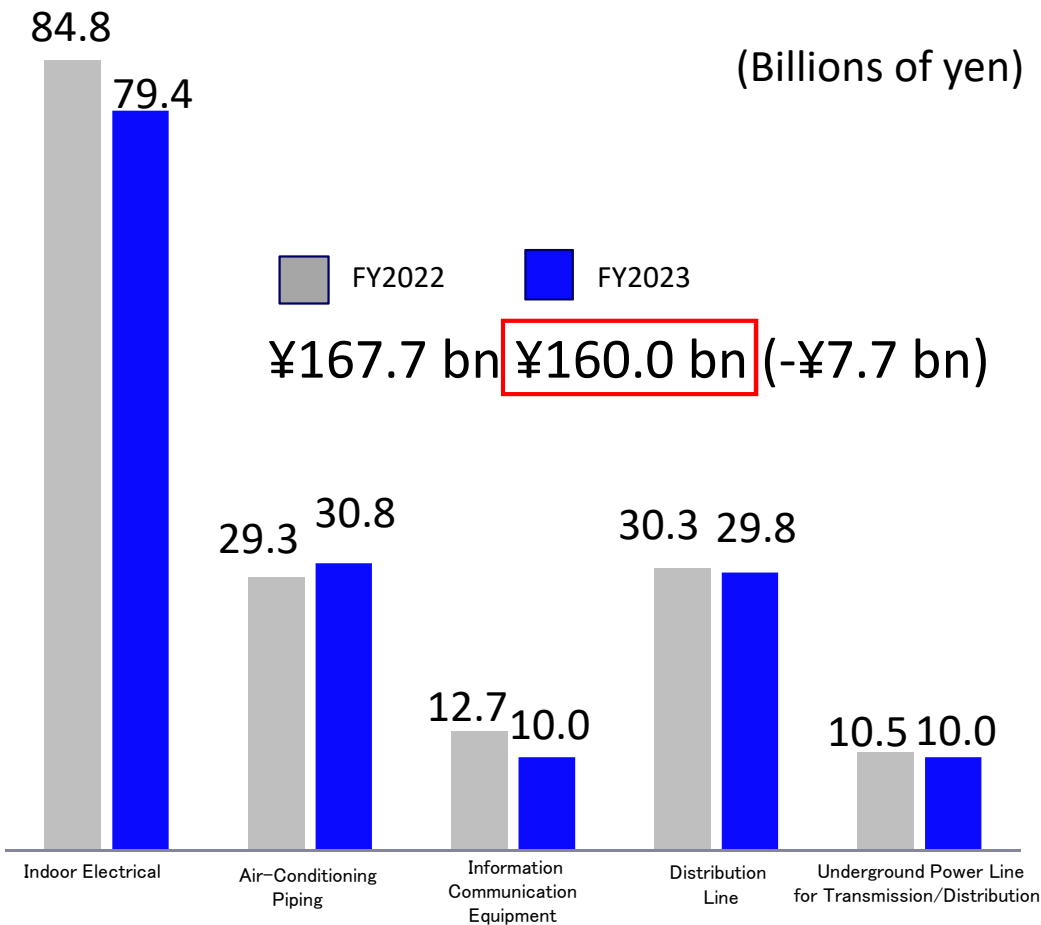
| Consolidated Financial Results | FY2022 | | FY2023 forecast | | Change | YoY Percent Change |
|---|---------|-------|-----------------|-------|--------|--------------------|
| | | | | | | |
| Sales | | 189.0 | | 205.0 | 15.9 | 108% |
| Operating profit | (4.4%) | 8.3 | (5.1%) | 10.5 | 2.1 | 126% |
| Ordinary profit | (-1.0%) | -1.9 | (5.9%) | 12.1 | 14.0 | - |
| Net profit attributable to owners of parent | (-3.7%) | -6.9 | (3.7%) | 7.6 | 14.5 | - |

* Figures in () are profit margins.

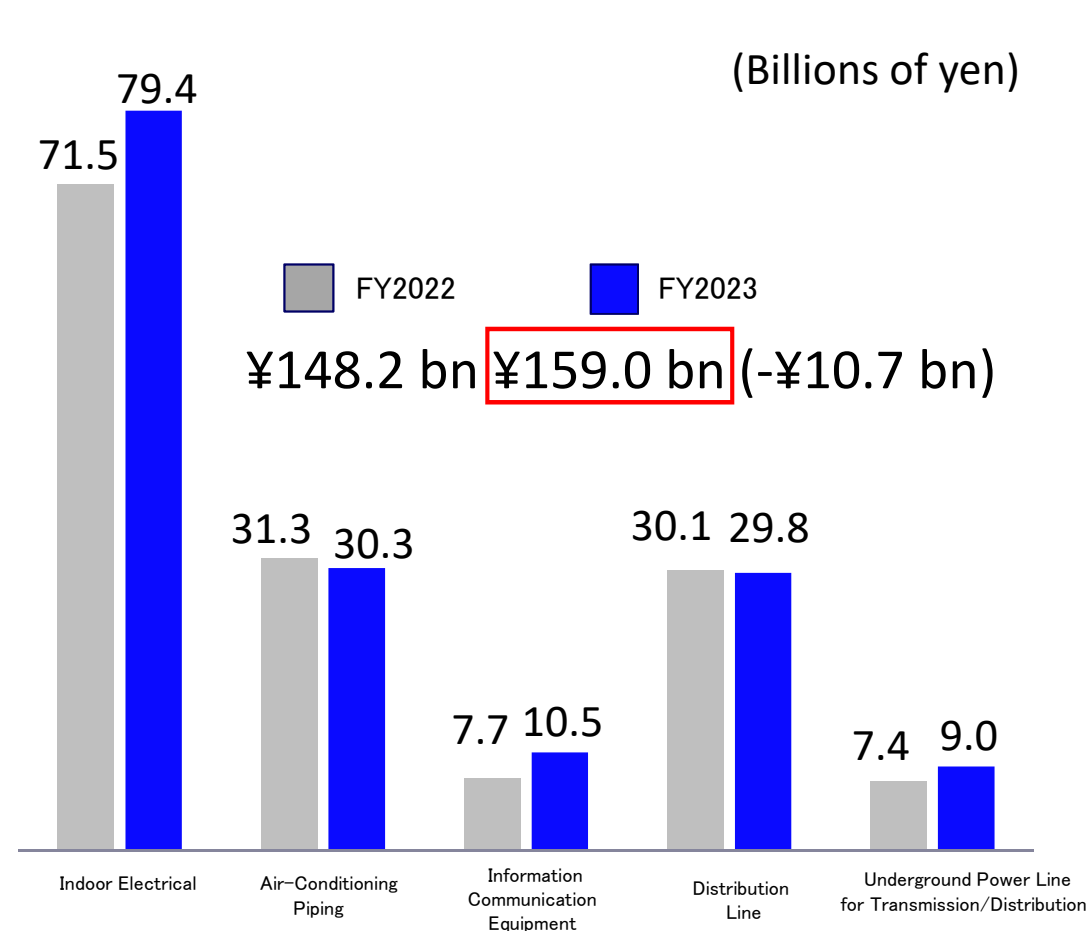
FY2023 Earnings Forecasts (Orders received and net sales by sector, parent)

- Orders received is expected to decrease by ¥7.7 billion (mainly for Indoor Electrical Work and Information Communication Equipment Work)
- Net sales are expected to increase by ¥10.7 billion (mainly due to increases in Indoor Electrical Work and Information Communication Work)

Orders received

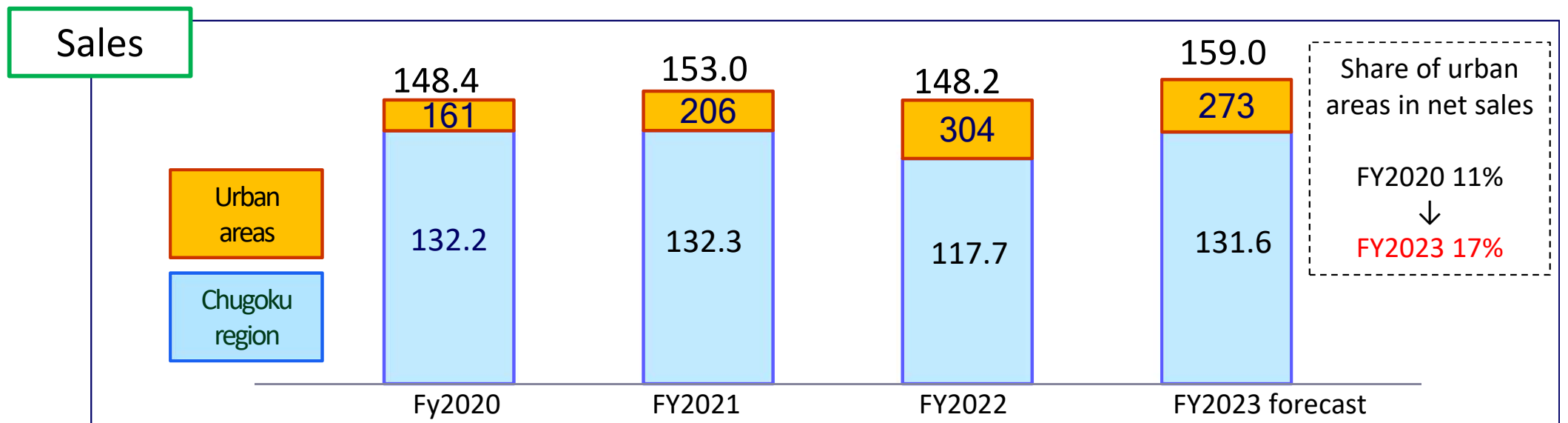
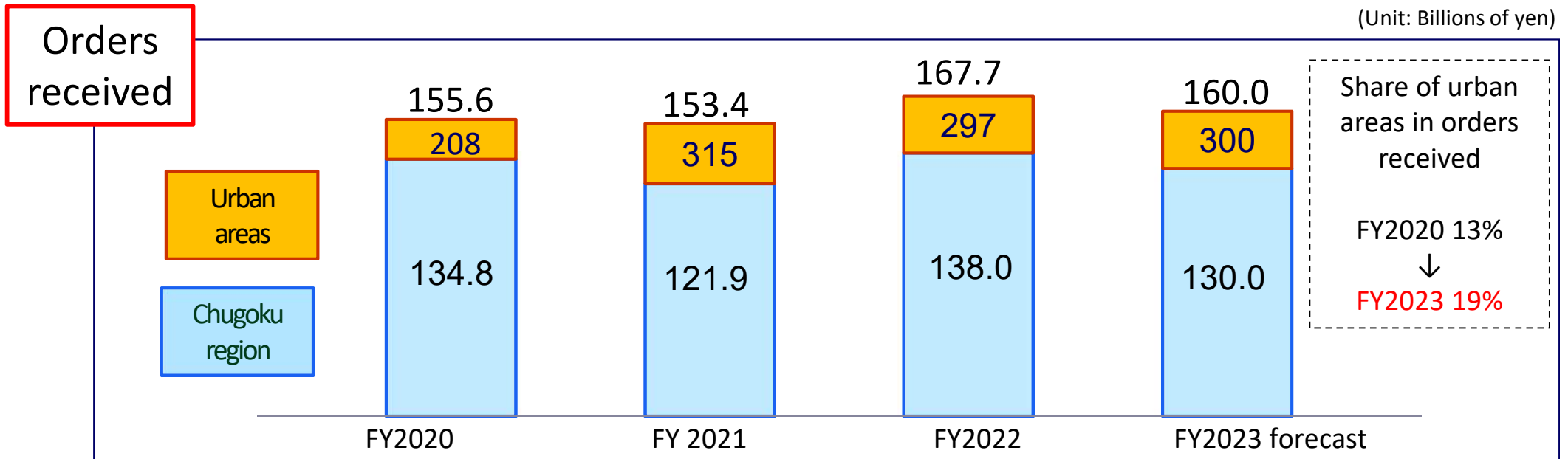


Net sales



FY2023 Earnings Forecasts (Orders received and net sales by region, parent)

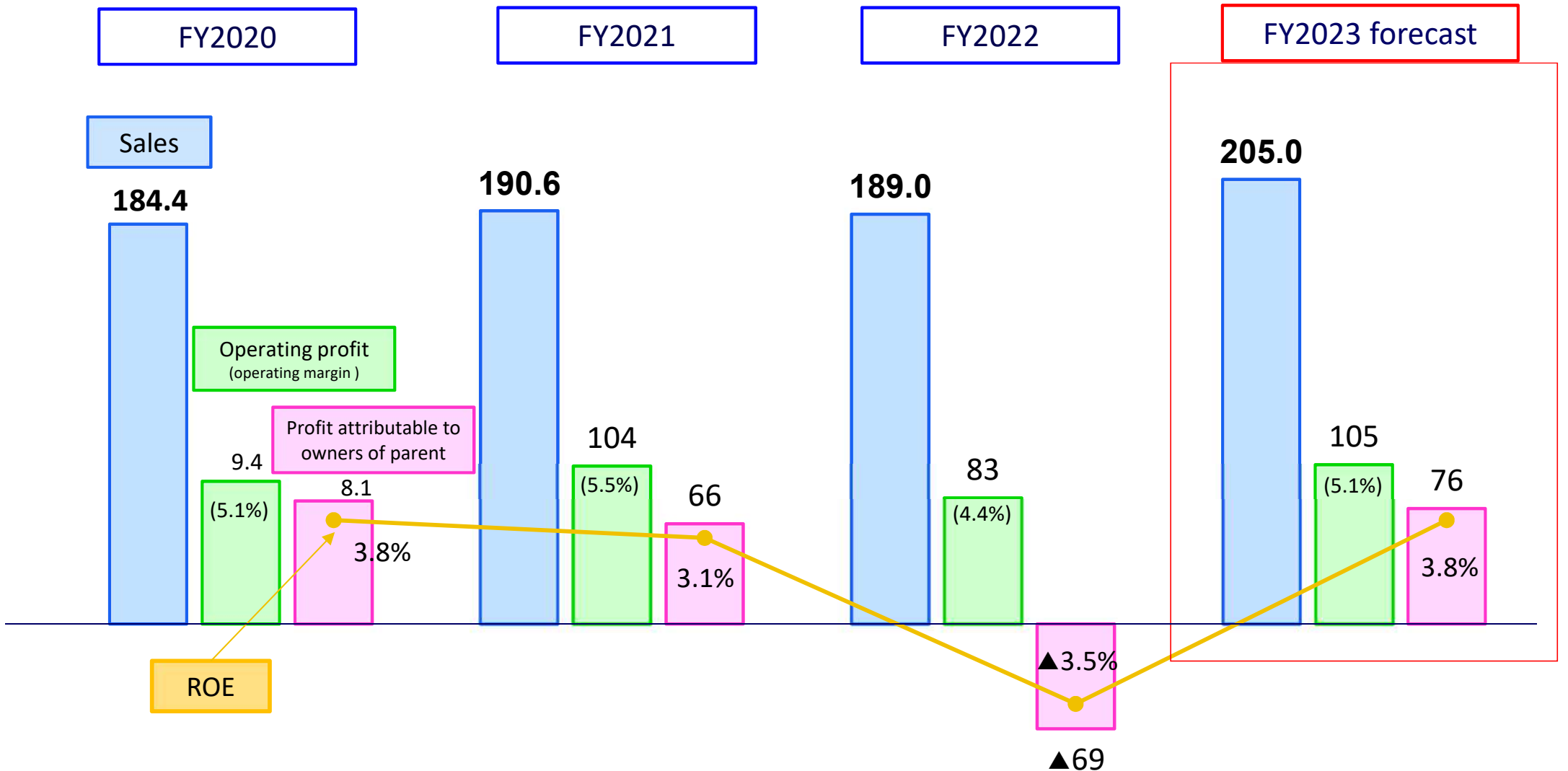
➤ Working to expand urban areas while maintaining figures in the Chugoku region.



FY2023 Earnings Forecasts (Changes in key management indicators, consolidated)

- Net sales are expected to grow, and each profit is expected to increase
- ROE is expected to improve due to the recording of profit attributable to owners of parent.

(Billions of yen)



3. Medium-Term Management Plan 2024 [FY2021-2024] Initiatives

Theme

“Change & Growth For All”

- In order for the Group to continue to grow, it is essential that we continue to transform ourselves responding more swiftly than ever to changes in the environment.

Sub-theme

Strengthening sales and construction systems, and expanding profits

- Continue to strengthen our foundation in the Chugoku region and expand business in urban areas, expanding orders and strengthening the construction systems
- Improve construction efficiency and reduce costs expand profits, etc. to secure and expand profits and improve our competitiveness

Promoting DX and Decarbonization

- Promote the increase in productivity through DX
- Work to decarbonize our own company and support the decarbonization of our customers through our internal-consumption solar PPA business, in order to become carbon neutral.

Medium-Term Management Plan 2024 (Core measures)

Expanding orders and strengthening construction systems

- ◆ Strengthening sales
- ◆ Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc.
- ◆ Strengthen and enhancing construction system
- ◆ Cooperating more closely with group companies

⇒ Strengthen proposal-based sales of original construction projects, increase sales stock, and expand renovation work
⇒ Increase orders by enhancing relationships with local general contractors, etc.

Securing and expanding profits, and improving competitiveness

- ◆ Using equalization and frontloading of work to raise construction efficiency
- ◆ Cost reductions involving cooperation between the company as a whole and group companies
- ◆ Improving productivity through the promotion of DX
- ◆ Expand profit and prevent profit decline

⇒ Enhance discussions at review meetings aimed at securing and expanding profit from large-scale projects
⇒ Improve profit margins by capturing mid-scale projects and additional projects

Enhancing human resources development and promoting work style reforms

- ◆ Nurturing human resources with the aim of strengthening construction management
- ◆ Securing and nurturing engineers/technicians across the Group as a whole
- ◆ Continuing to practice work style reforms, and forming fulfilling workplaces

⇒ Work to secure and nurture human resources and reform work styles at the Group level to improve productivity, and to improve the quality of life at the Group level

Medium-Term Management Plan 2024 (Core measures)

Improving quality

- ◆ Reliable contributions to the stable supply of electric power
- ◆ Increase customer satisfaction

⇒ Prepare to respond promptly to restoration from natural disasters and emergency works, in addition to continuing maintenance work on aging facilities

⇒ Promote improvement of quality of all work

Expanding the business by investing for growth (M&A, equity stakes, etc.)

- ◆ Decarbonizing our own company
 - installation of internal-consumption solar power facilities within our company buildings
- ◆ Promoting environmental businesses to support decarbonization
 - Internal-consumption solar power PPA projects, etc.
- ◆ Promotion of M&A with the aim of strengthening construction systems
- ◆ Promoting technical research and development

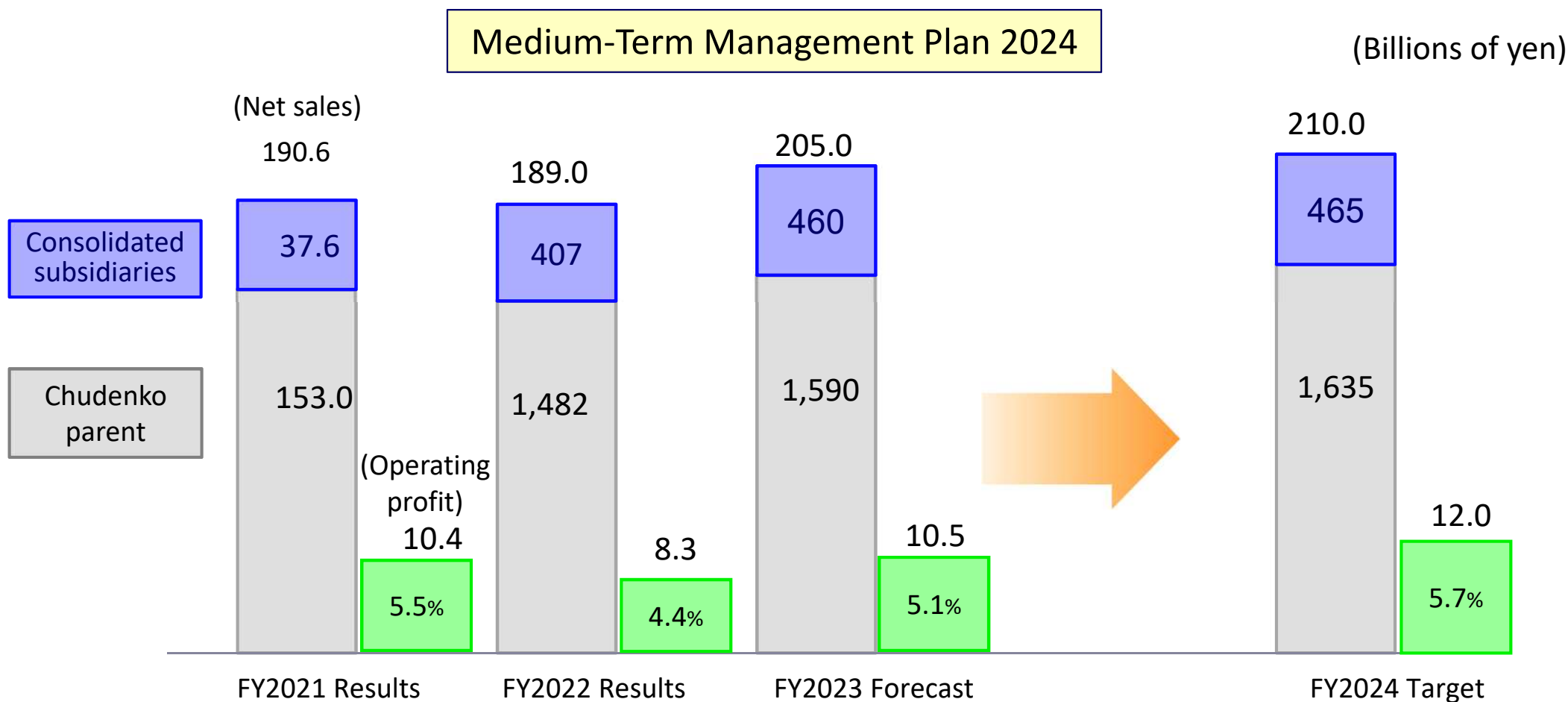
⇒ Started installation of internal-consumption solar power facilities within our company buildings at 49 locations (2.2 MW)

⇒ Concluded 59 contracts (14.1 MW) for internal-consumption solar PPA projects and 7 contracts for ZEB conversion

Medium-Term Management Plan 2024 (Numerical targets, consolidated)

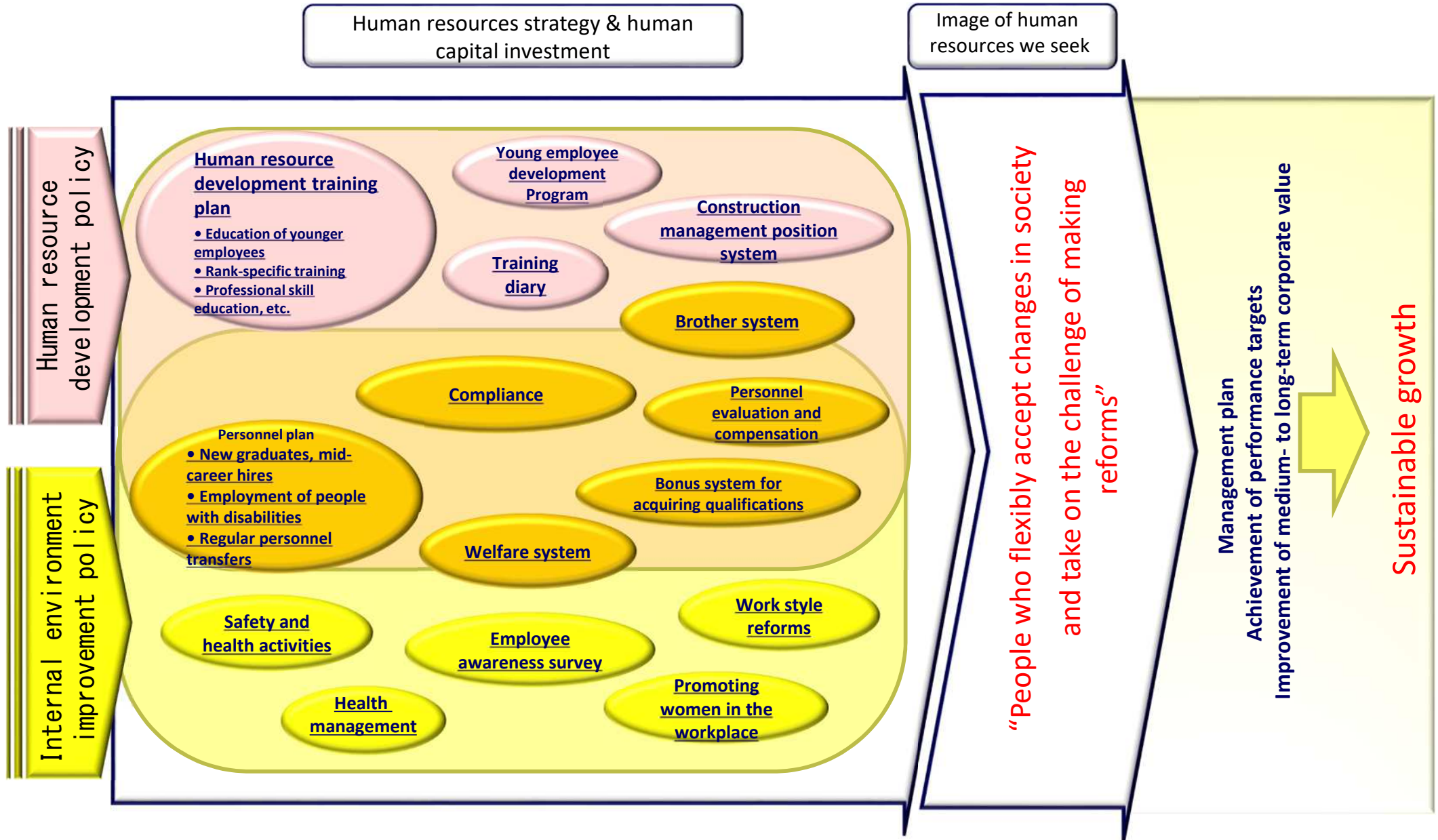
- The unified Group will work as one to achieve the targets of the “Medium-Term Management Plan 2024”

⇒ FY2024 target: ¥210.0 billion in net sales, ¥12.0 billion in operating profit



* Figures in percentage (%) are the ratio of operating margin.

Medium-Term Management Plan 2024 (Human resources strategy)



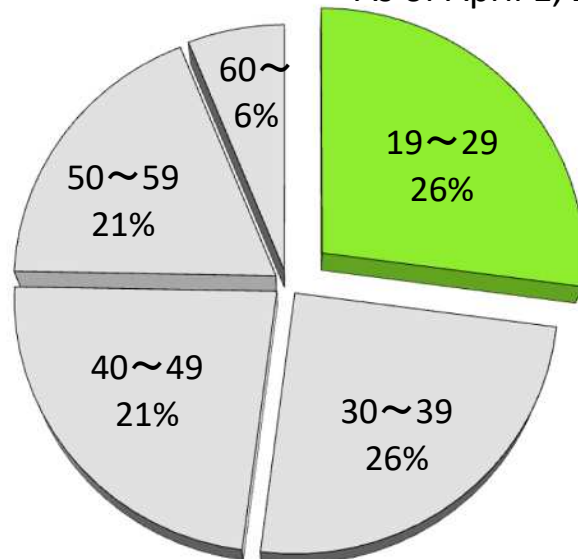
Medium-Term Management Plan 2024 (Secure and nurture human resources)

Number of new hires through periodic recruitment

| FY2020 | FY2021 | FY2022 | FY2023 | FY2024 plan |
|--------|--------|--------|--------|-------------|
| 138 | 135 | 116 | 135 | 140 |

Employee composition by age group (parent)

As of April 1, 2023



Number of persons with qualification

| Qualification | Number of qualified personnel | | |
|--|-------------------------------|------------|--------|
| | October 2018 | April 2023 | Change |
| Electrical Construction Management Engineers (1st and 2nd grade) | 1,037 | 1,214 | 177 |
| Plumbing Construction Management Engineers (1st and 2nd grade) | 278 | 305 | 27 |
| Professional Engineers | 54 | 66 | 12 |

- Personnel with multiple qualifications as Construction Management Engineers (Electric Works, Piping Works): 65

Just under 30% are under 30

Growth of younger employees

Improve technical and construction skills

Concrete measures for implementing capital policy

Investing for sustainable growth

We will invest around ¥40 billion for sustainable growth, including business expansion and securing and nurturing human resources.

- M&As in and around our core business
- Human resource development and work style reform
- Decarbonizing our own company
- Promotion of environmental business as a means to assist our customers in their decarbonization efforts
- Investing in promising businesses, etc.

[Synergies with our core businesses and development of new business domains]

- October 2022 Invested in JAFCO SV7 Fund

[Investment in renewable energy]

- March 2023 Acquired 4 solar power generation facilities (secondary projects) in operation

Medium-Term Management Plan 2024 (Investment in renewable energy)

➤ March 2023 Acquired 4 solar power generation facilities

Sell electricity to electric power companies under the FIT system, and work to create a long-term stable source of renewable energy through operation and management with a view to using it for self-consumption after the end of the system.

- Power generation capacity: Total about 5 MW
- Annual power generation: Total about 6.47 million kWh

Contribute to the realization of a sustainable society by decarbonizing our own company and supporting the decarbonization of our customers in order to achieve carbon neutrality.

<Reference> Overview of Acquired Solar Power Generation Facilities

| Location | Kitahiroshima cho, Hiroshima Prefecture | Kitahiroshima cho, Hiroshima Prefecture | Tottori City, Tottori Prefecture | Hofu City, Yamaguchi Prefecture |
|--------------|---|---|----------------------------------|---------------------------------|
| Capacity | 1.0 MW | 1.5 MW | 1.0 MW | 1.5 MW |
| Year started | 2013 | 2015 | 2019 | 2022 |

Medium-Term Management Plan 2024 (Shareholder returns)

Shareholder returns

We focus on paying sustainable and stable dividends, targeting DOE (consolidated dividend on equity) of 2.7%

We comprehensively review the business environment, etc. and implement share buybacks as necessary.

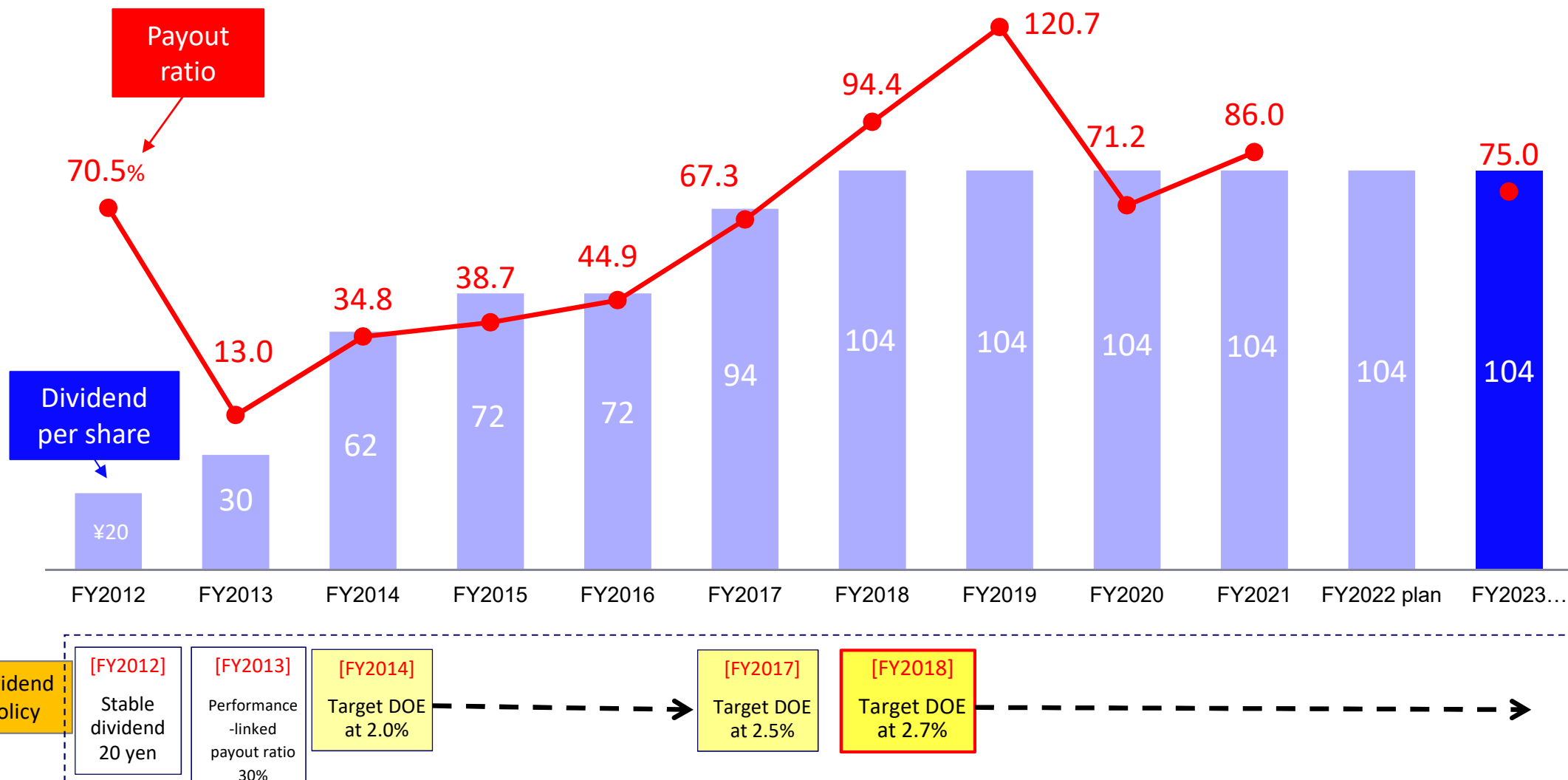
| | | FY2021 | FY2022 |
|---------------|---------------------------------|--------------|--------------|
| Dividend | Annual dividend per share | ¥104 | ¥104 |
| | DOE | 2.75% | 2.93% |
| | Consolidated payout ratio | 86.0% | — |
| | Consolidated total return ratio | 106.1% | — |
| Share buyback | Number of shares | 600,000 | 390,000 |
| | Cost | ¥1.3 billion | ¥0.8 billion |

[Reference] Dividend yield: 4.75% (closing price on May 30, 2023 ¥2,190)

Dividend Forecasts for FY2022 (Dividends and payout ratio)

- We forecast annual dividends per share of ¥104, aiming to achieve the dividend on equity (DOE) ratio of 2.7% in FY2023.

Dividends and Payout Ratio



4. CHUDENKO Group 2030 Vision

CHUDENKO Group 2030 Vision (Theme and Group ideal)

Theme

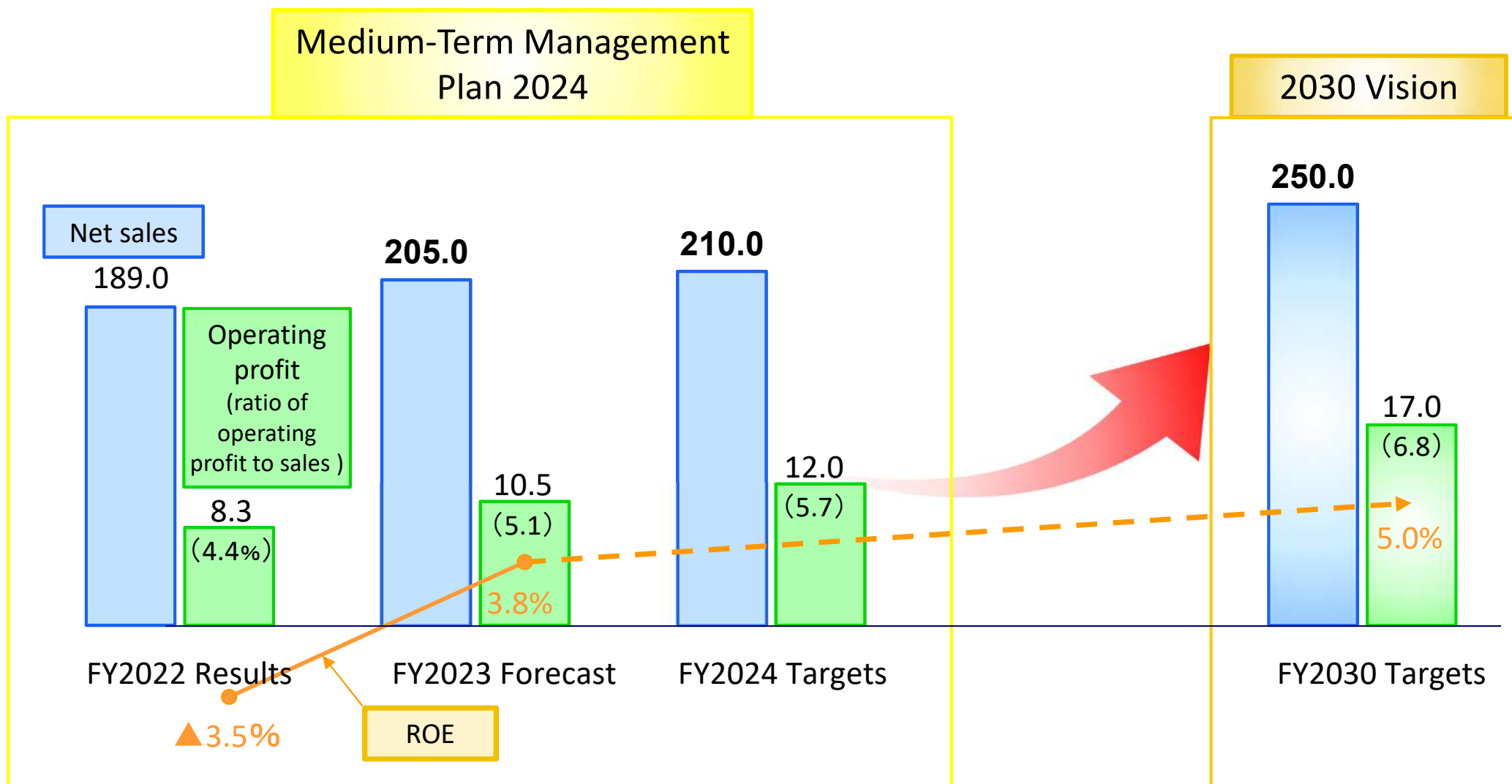
Change & Growth For All—Toward Sustainable Growth—

Group ideal




CHUDENKO Group 2030 Vision (Target)

- Consolidated performance Net sales: ¥250 billion Operating income: ¥17 billion ROE: 5.0% or more
- CO₂ emission reductions toward carbon neutrality: 46% or more (compared to FY2013)
- Creating an environment that supports diverse personnel to play active roles and diverse ways of working



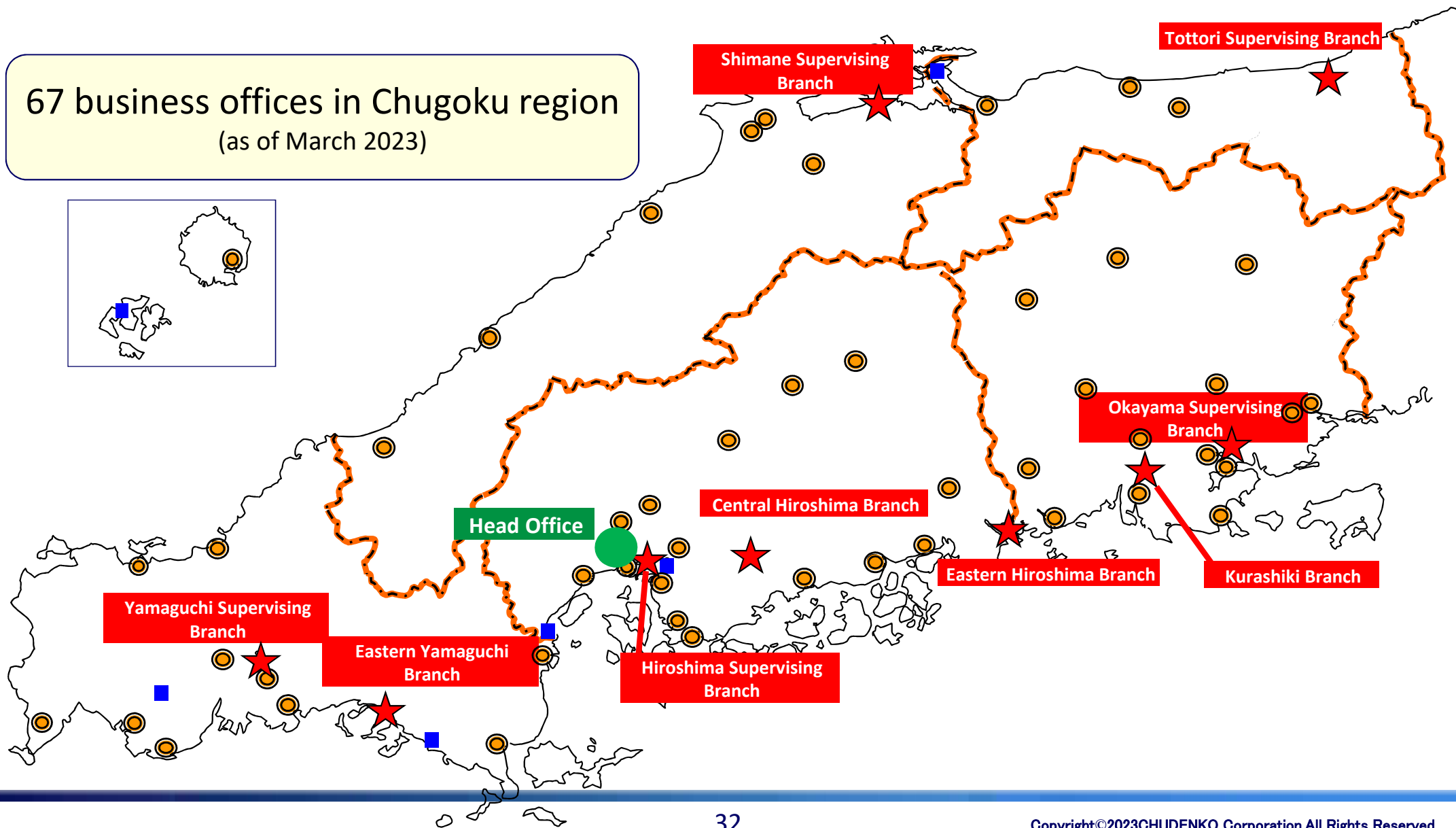
4. Reference

Reference (Outline of CHUDENKO CORPORATION)

| | | |
|---------------------------|--|---|
| Company name | CHUDENKO CORPORATION |  <p>Head Office (Chudenko Peace Boulevard Bldg.)</p> |
| Representative | Takafumi Shigeto Representative Director and President | |
| Established | September 1944 (as Chugoku Electrical Construction Co., Ltd) | |
| Capital | ¥3,481.9 million | |
| Stock exchange listing | Prime Market, Tokyo Stock Exchange | |
| Head Office location | Hiroshima City | |
| Consolidated subsidiaries | 14 | |
| Business activities | General equipment engineering services, sales of electrical materials, insurance agency, leasing | |
| Number of employees | 4,556 (Consolidated) 3,364 (Chudenko parent) (End of FY2022) | |
| Sales | ¥189 billion (Consolidated) ¥148.2 billion (Chudenko parent) (FY2022) | |
| Total assets | ¥272.5 billion (Consolidated) ¥248.7 billion (Chudenko parent) (End of FY2022) | |

Network (Chugoku region)

- 67 offices, with the core consisting of nine branch companies in the Chugoku region
- Building the efficient construction systems and improving emergency readiness



Business Bases (Urban areas and overseas)

- Headquarters and branches established in urban areas
- Subsidiaries placed in Malaysia and Singapore as overseas bases

[Urban areas]

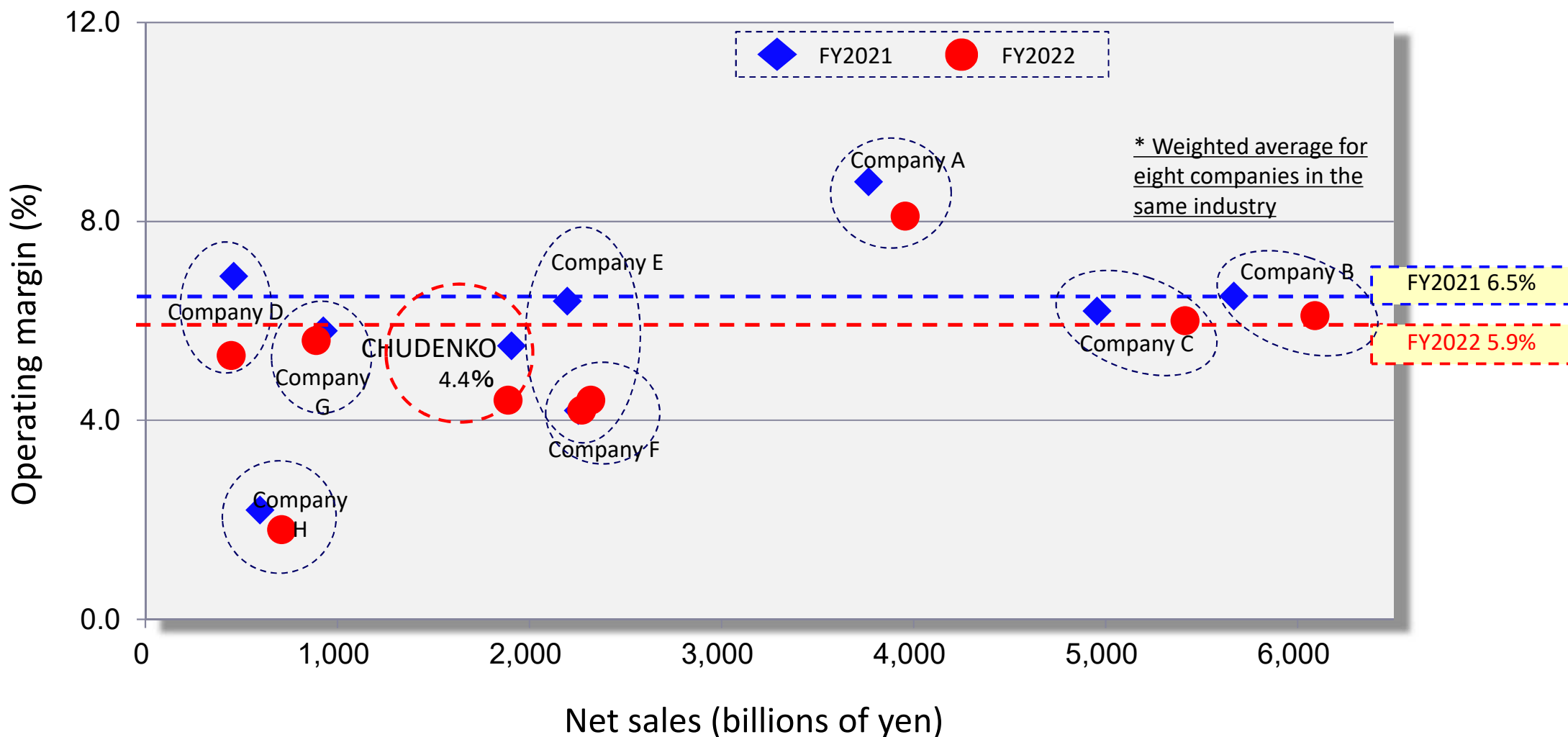


[Overseas]



➤ Ratio of operating profit to sales was at 4.4% for FY2022, below the average of other firms in the same industry

Net sales and ratio of operating margin (FY2021 & FY2022)



Reference (Overview of CHUDENKO Group)

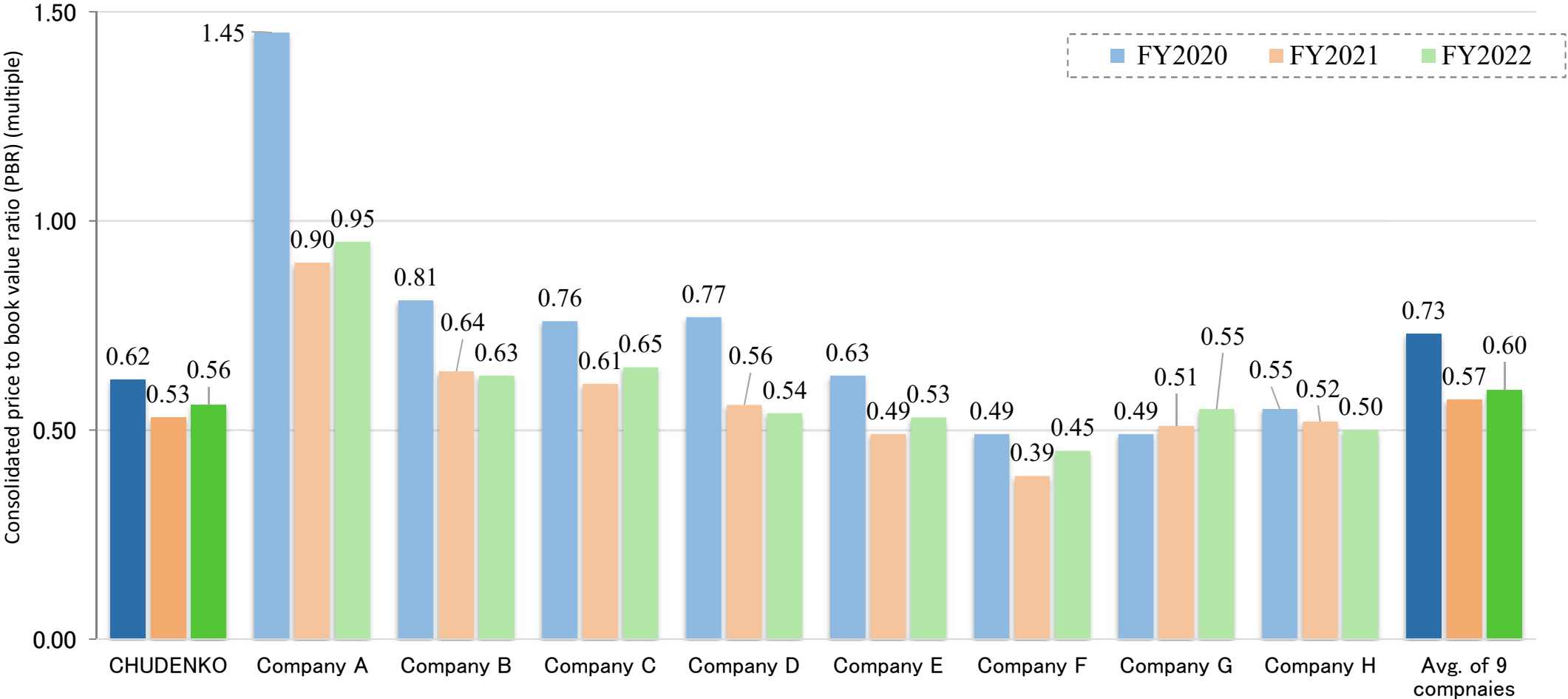
<Consolidated subsidiaries>

| Company name | Location | Voting rights held by Chudenko | Main business |
|--|----------------|--------------------------------|--|
| Sanshin Electric Materials Co., Ltd. | Hiroshima City | 50.03% | Sales of electrical equipment and electrical works materials, telecommunications equipment work |
| CHUKO KAIHATU Corporation | Hiroshima City | 100.0% | Insurance agency, leasing |
| Eapec Hiroshima Co., Ltd. | Hiroshima City | 100.0% | Design and estimation of electrical/air-conditioning piping works, etc. |
| Chudenko Techno Co., Ltd. | Hiroshima City | 100.0% | Installation of distribution line work |
| Chudenko Eletech Hiroshima/Shimane Co., Ltd. | Hiroshima City | 100.0% | Design and implementation of electrical works, etc. |
| Chudenko Eletech Okayama/Tottori Co., Ltd. | Okayama City | 100.0% | Design and implementation of electrical works, etc. |
| Chudenko Eletech Yamaguchi Co., Ltd. | Yamaguchi City | 100.0% | Design and implementation of electrical works, etc. |
| Sugiyamakankousetubi Co., Ltd. | Yokohama City | 100.0% | Design and installation of air-conditioning piping works, etc. |
| Hayamizudenki Co., Ltd. | Kobe City | 100.0% | Design and implementation of electrical works, etc. |
| Showa Corporation | Tokyo | 100.0% | Design, installation and supervision of heat insulation works, manufacture and sales of heat insulated pipe supports |
| SHOWA VIETNAM CO., LTD. | Vietnam | 100.0% | Import/export, wholesale and retail sales of air conditioning piping materials, design, construction and supervision of heat insulation work |
| CHUDENKO (Malaysia) Sdn. Bhd. | Malaysia | 100.0% | Design and implementation of electrical works, etc. |
| CHUDENKO ASIA Pte. Ltd. | Singapore | 100.0% | Administration of subsidiaries' operations |
| RYB Engineering Pte. Ltd. | Singapore | 100.0% | Design and implementation of electrical works, etc. |

Reference (Comparison price-to-book value ratio [PBR] of comparison with other companies in the power industry: consolidated)

➤ Chudenko's consolidated price-to-book value ratio has been around 0.6 times, which is on par with other companies in the power industry.

Consolidated price-to-book value ratio (PBR) of other companies in the power industry (FY2020-FY2022)







* Calculated from the closing price on the last business day of each fiscal year.



Reference (Engagement in SDGs)

Established four challenges in reference to the 17 Sustainable Development Goals (SDGs)

Aiming to meet the expectations of our stakeholders through our business activities and also achieve SDGs

| Challenges | Efforts under the Medium-term Management Plan |
|---|--|
| <p>Thoroughly ensure safety and compliance</p>  | <ul style="list-style-type: none"> ▶ Check the state of implementation of measures to prevent the recurrence of serious accidents and ensure thorough observance of standards and rules ▶ Implement risk mitigation measures adapted to the site and eliminate unsafe behavior ▶ Conduct continuous training to enhance compliance consciousness ▶ Upgrade the “management of mental and physical well-being” ▶ Implement preventive measures against COVID-19 and other infectious diseases |
| <p>Provide safe and high-quality facilities</p>  | <ul style="list-style-type: none"> ▶ Conduct high-quality power facilities works and prompt response to disaster recovery ▶ Increase efforts in underground power line and private distribution line works ▶ Improve and strengthen quality control systems such as in-process inspections ▶ Prompt and thorough customer service enabled by enhancing communication with customers ▶ Improve productivity by executing digital transformation (DX) ▶ Promote technical research and development |
| <p>Realize decarbonized society</p>  | <ul style="list-style-type: none"> ▶ Engage in environmental business centering on solar power generation and other renewable energy projects ▶ Internal-consumption solar power purchase agreement (PPA) project ▶ Increase proposals for energy conservation, such as net-zero energy building (ZEB), energy service company (ESCO) ▶ Decarbonization efforts of our own company |
| <p>Nurture human resources and promote diversity in society</p>  | <ul style="list-style-type: none"> ▶ Secure and nurture engineers and technicians across the Group as a whole and promote human resources development ▶ Cooperate more closely with CHUDENKO Association (suppliers’ association) and Group companies ▶ Offer technical training and other assistance to Chudenko Association members ▶ Continue to practice work style reforms and form fulfilling workplaces ▶ Promote work-life balance and diversity in the workplace |

Cautionary Note on Forward-looking Statements

Various data, forward-looking statements pertaining to earnings forecasts and other matters in this report are based on information available to and certain assumptions judged reasonable by the Company. As such, actual earnings and other outcomes may differ materially from the content of this report due to a variety of factors.

[For inquiries on this material]

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